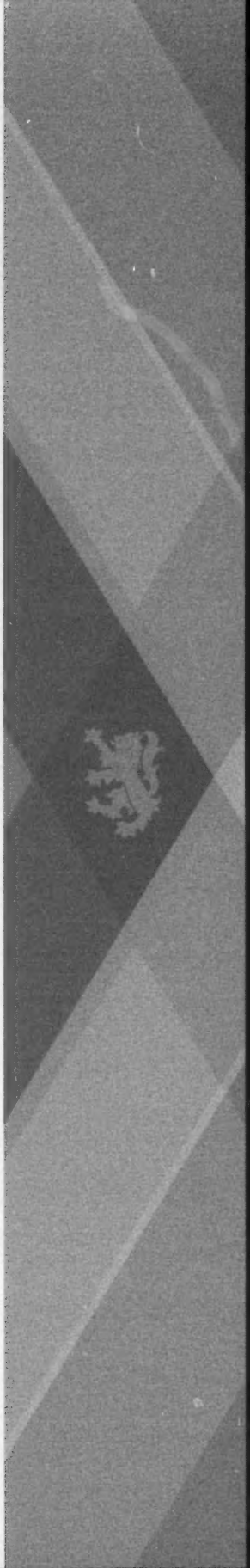
Business Plan
2016–2017

Department of Finance
and Treasury Board

NOVA SCOTIA



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Message from the Minister

I am pleased to present the 2016-2017 Business Plan for the Department of Finance and Treasury Board.

The Department of Finance and Treasury Board supports Government by establishing a sound fiscal plan and financial framework to support the priorities of Nova Scotia. The Department achieves this through its activities: budget and fiscal plan development; financial accounting; expenditure management financial advisory services; continuous program review and strategic initiatives; revenue estimates and federal transfers; tax policy, administration and credits; economic forecasting, policy analysis and modelling; liability, debt and treasury management; corporate compliance and reporting; regulation of pensions and select financial institutions; and policy oversight to the securities and liquor control sectors.

The Department's focus is to preserve the financial capacity of government to provide public services in Nova Scotia. Fiscal sustainability provides the environment needed to help Government achieve its priorities related to people, innovation and education. In an effort to support Government priorities the Department's mandate letter for 2016-2017 focuses on achieving the following goals:

- In collaboration with all government departments and agencies, balance the provincial budget within government's mandate.
- Lead government-wide efforts to improve efficiency and effectiveness through continuous program review.
- Review options to implement changes to the province's tax structure to support economic growth.
- Explore asset divestiture, optimization, and monetization of asset opportunities.
- Lead efforts to reach affordable agreements with public sector workers that achieve sustainable public services for Nova Scotians.

In the 2015-2016 fiscal year the corporate financial advisory services staff from all government departments were transferred to Finance and Treasury Board. This change allows greater coordination of financial planning across government which will help **to preserve the financial capacity of government to provide public services in Nova Scotia.** The net transfer of staff added 98.2 FTEs to Finance and Treasury Board. Ensuring the efficient and effective transition of these financial services units is an important priority for Finance and Treasury Board during the 2016-2017 fiscal year.

Through its activities and responsibilities, the Department supports government decision-making, from day-to-day operations to budget formulation. The work of the Department supports Government priorities by helping to achieve ongoing fiscal sustainability for the Province. The Department of Finance and Treasury Board relies on the dedication and expertise of its employees to achieve its objectives, and I would like to thank them for their ongoing efforts.

As Minister of Finance and Treasury Board, I look forward to continuing the important work of the Department to further advance the priorities of government in the 2016-2017 fiscal year.

Honourable Randy Delorey
Minister of Finance and Treasury Board
Date:

Departmental Mandate

The Department of Finance and Treasury Board (FTB) works to **preserve the financial capacity of government to provide public services in Nova Scotia,** by achieving ongoing fiscal sustainability for the Province.

Flowing primarily from the *Finance Act* and the *Public Service Act,* the Department's mandate includes:

- establishing a sound fiscal framework,
- control over public finances, and
- providing meaningful, transparent financial reporting

The Department prepares government's four-year fiscal plan and presents it annually in the provincial budget documents. The budget is monitored throughout the year and public forecast updates are provided to the public, reporting progress. The actual year-end results are provided annually through the Provincial Public Accounts, which report results as compared to the budget estimates.

Through its activities, the Department supports government decision-making. The Department also supports the Minister of Finance and Treasury Board in overseeing certain crown agencies for which the Minister is assigned responsibility, which include:

- the Nova Scotia Liquor Corporation,
- the Nova Scotia Securities Commission,
- the Credit Union Deposit Insurance Corporation, and
- the Nova Scotia Utility and Review Board

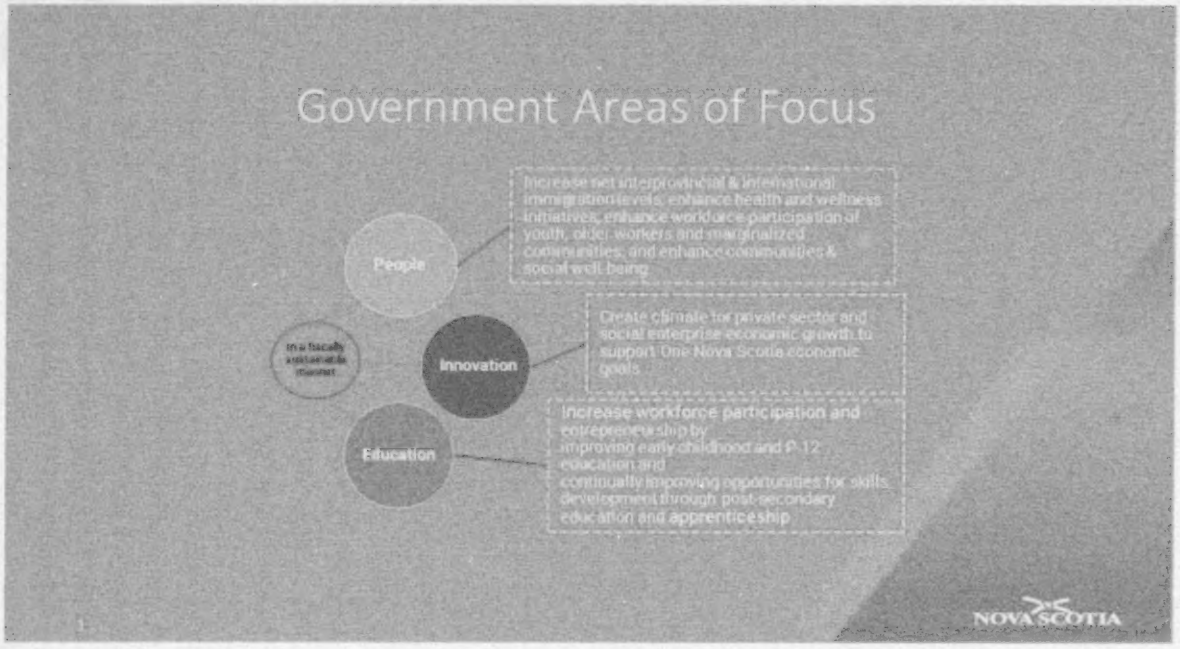
Finance and Treasury Board's Links to Government Priorities

1) Priority: Fiscal Sustainability

Fiscal sustainability is critical to the success of Government initiatives and the delivery of public services. The government's spending choices and service offerings must fit with the economy's capacity to afford them.

The Department of Finance and Treasury Board supports the achievement of Government priorities by establishing the fiscal sustainability framework within which Government programs and services can operate.

In this way, the work of the Department enables Government to meet its priorities and build the capacity to support public services in Nova Scotia.


Government Areas of Focus
People
Innovation
Education
Increase net interprovincial & international immigration levels, enhance health and wellness initiatives, enhance workforce participation of youth, older workers and marginalized communities, and enhance communities & social well-being
Create climate for private sector and social enterprise economic growth to support One Nova Scotia economic goals
Increase workforce participation and entrepreneurship by improving early childhood and P-12 education and continually improving opportunities for skills development through post-secondary education and apprenticeship
NOVA SCOTIA

2) Priority: People and Innovation - Supporting an Enabling Environment

Through its fiscal sustainability, regulatory and information roles, the Department of Finance and Treasury Board contributes to **an enabling environment** for Government's priorities related to people and innovation. Fiscal sustainability helps facilitate a positive economic environment through market stability, which encourages economic growth, business investment and increased employment.

The private sector needs stability to plan for growth. A balanced and sustainable fiscal plan coupled with a stable and predictable tax regime will improve Nova Scotia's potential for private sector growth.

Finance and Treasury Board supports the development of sound financial policy and best practices which help to create the right environment to encourage business growth and increase employment opportunities for the people of Nova Scotia.

- The Department provides leadership on financial reporting, fully and fairly disclosing the Province's financial position and economic conditions to the people of Nova Scotia and the investment community.

- The Department endeavours to efficiently and effectively regulate, in a manner helpful to people and business, several financial services sectors including insurance, credit unions, pensions and securities and alcohol.

- Finance and Treasury Board supports the improvement of the business climate and innovation through policies and initiatives including:
    - Fiscal sustainability and effective tax policy.
    - A well-regulated financial sector helps to ensure stable markets and create the right conditions to promote economic growth, business development and investment.

- The Department provides economic, statistical and demographic information to inform planning, policy and project development. The Department is the Official Statistics Agency for the Province, responsible for holding key data from the National Statistical System, and provides feedback to Statistics Canada on whether its products meets the needs of Nova Scotia's government and public.

3) Core Responsibilities/Services

All the functions and activities of the Department of Finance and Treasury Board are aligned with government priorities. Core functions of Finance and Treasury Board support the goal of preserving the province's financial capacity to provide public services in Nova Scotia, and contribute to an enabling environment for Government priorities related to people and innovation.

Strategic Goal: Fiscal Sustainability

Fiscal Sustainability is the Department of Finance and Treasury Board's strategic goal for the fiscal year 2016-2017. The Department will provide financial leadership and analysis to build and sustain a sound fiscal framework and financial control over public finances.

The department's goal is to support Government's objective of a balanced budget fiscal plan and achieve ongoing fiscal sustainability.

Fiscal Sustainability: Actions

Key actions that advance the fiscal sustainability objective are:

Actions	Description
Budget and Fiscal Plan Development	• Development and coordination of provincial budget, four year fiscal plan and capital plan. • Budget policy analysis and fiscal planning, including the borrowing plan • Public reporting of interim financial results through public forecast documents
Financial Accounting	• Establish corporate accounting policies in accordance with Public Sector Accounting Standards and provide expert accounting advice/recommendations to the finance and business community for General Revenue Funds & Government Reporting Entities corporate initiative of the Province. • Financial Accounting analysis and preparation of the annual Public Accounts, which include the consolidated financial statements of the Government Reporting Entity
Expenditure Management Financial Management	• Coordinate, monitor and report multi-year spending activities, through the budget and forecast process, with respect to operational and capital planning for the Province. • Provide leadership, advisory services and expertise in the area of financial management to departments and agencies, Departmental budget coordination and monthly financial forecast reporting • Financial analysis, consulting, advice and accounting services • Ensure the efficient and effective transition of financial advisory services staff to Finance and Treasury Board.
Continuous Program Review and Strategic Initiatives	• Strategic Analysis of Programs and Program Policy to improve efficiency and effectiveness of departmental business • robust/in-depth project analysis • Support initiatives targeted at improving and attaining operational efficiencies • Execution of corporate initiatives and design of alternative solutions and business case development
Revenue Estimates and Federal	• Own-source revenue forecasting and quantitative analysis • Coordination and reporting of all revenue sources including tax revenues, federal transfers, department revenues and fees, net income

Transfers	from entities • Participate and support Federal-Provincial-Territorial (FPT) Finance relationships and support FPT collaborations • Advice on advancing province's interests. Review and report on federal estimates, technical and policy features and implications of changes to formulae
Tax Policy, administration and credits.	• Advice on tax policy, tax measures and fiscal impacts. Analysis/Review/Design of existing tax system and new measures. Design, develop, implement, enhance and administer provincial tax credits and expenditures • Oversee tax agreements with federal government • Advance province's interests on FPT committees • Oversee tax legislation and regulations • Focal point for Finance Canada and Canada Revenue Agency (CRA) – estimates, payments, forms/guides, exchange of information
Economic Forecasting, Policy Analysis and Modelling	• Economic forecast and demographic projections for government planning, upon which impacts of policy changes, investments, economic events are assessed and understand demand/utilization for key programs, notably health care, education, and community services • Economic impact models and economic impact analysis on programs/policies
Liability and Treasury Management	• Treasury functions for the Province done with a view to maximizing efficiencies and minimizing risks while keeping government's short-term needs and long term objectives in mind. • Cash management • Debt issuance and management • On-lending activities • Investor and stakeholder relations
Compliance & Reporting	• Accounting, reporting and safe custody of all debt and investments of the Province. • Lead corporate compliance programs. • Coordination and provincial reporting of Auditor General recommendations • Corporate governance of specific software systems • Monitoring of Internal financial controls and compliance

Fiscal Sustainability: Inputs - Budget Context

Finance and Treasury Board Departmental Expenses Summary			
	2015-2016 Estimate	2015-2016 Forecast	2016-2017 Estimate
Program Expenses by Program & Service Area	($thousands)	($thousands)	($thousands)
Senior Management	4,294	3,303	3,799
Controller's Division	2,388	2,531	2,279
Treasury Board Office	2,943	2,575	2,314
Financial Advisory Services	1,005	874	10,689
Fiscal Policy, Economics and Budgetary Planning	3,785	3,789	3,701
Total Program Expenses	**14,415**	**13,072**	**22,782**
Additional Information:			
Fees and Other Charges	(403)	(442)	(412)
Ordinary Recoveries	(0)	(0)	(0)
Provincial Funded Staff (FTEs) Net	**108.7**	**99.3**	**206.9**

Fiscal Sustainability: Performance Measures

Progress will be measured and reported on in the province's annual Budget, public forecast updates and the public accounts. These measures are also reported on by the Auditor General for Nova Scotia.

Fiscal Sustainability

Fiscal sustainability can be defined as the degree to which a government can maintain existing programs and meet existing creditor requirements without increasing the debt burden on the economy[1].

The primary measures for fiscal sustainability is the net debt to nominal Gross Domestic Product (GDP) ratio.

The One Nova Scotia Commission Report proposed a net debt to GDP ratio goal for the province of 30% or less by 2024.

A balanced budget is measured by the annual surplus/deficit of the provincial budget.

Other outcome measures of government's financial condition include flexibility and vulnerability.

Flexibility

'Flexibility' refers to the degree to which a government can increase its financial resources to respond to rising commitments, by either expanding its revenues or increasing its debt burden.[2]

The typical measure of government financial flexibility looks at the ratio of debt servicing costs in relation to the total revenue available to spend in a given year. (Debt service costs as a percentage of revenue).

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[1] ***Indicators of Government Financial Condition, Research Report*; the Canadian Institute of Chartered Accountants, 1997.**

[2] **Ibid**

Vulnerability

'Vulnerability' refers to the degree to which a government becomes dependent on, and therefore vulnerable to, sources of funding outside of its control or influence, both domestic and international.[3]

An often used measure for the vulnerability of government finances is the amount of federal government transfers as related to the total revenues of a provincial government. (Federal transfers as a percentage of total revenue).

Performance Measures: Results

The performance measure results are presented in the following table.

- For 2015-2016, the results are based on the final forecast as presented in Budget 2016-2017. The final result will be presented in the Provincial Public Accounts for 2015-2016 in the summer of 2016.
- For 2016-2020, the results are based on the Province of Nova Scotia's four year fiscal plan, as presented in Budget 2016-2017.

[3] **Ibid**

Performance Measure	Indicator	2012-13	2013-14	2014-15	2015-16(f)	2016-17	2017-18	2018-19	2019-20
Sustainability									
	Annual Surplus/(Deficit)	($301.6M)	($676.9M)	($143.7M)	($71.2M)	$127.4M*	$20.8M	$79.0M	$132.5M
	Surplus/(Deficit) as % of GDP	(0.80%)	(1.75%)	(0.37%)	(0.18%)	0.31%	0.05%	0.18%	0.30%
	Net Debt to Nominal GDP	36.9%	38.3%	38.5%	37.9%	37.1%	36.2%	35.1%	34.1%
	Net Debt per Capita	$14,757	$15,664	$15,940	$15,988	$16,050	$16,063	$16,013	$15,906
	Net Debt	$13.9B	$14.8B	$15.0B	$15.1B	$15.2B	$15.2B	$15.2B	$15.1B
Flexibility									
	Debt Service Costs as % of total revenue	9.1%	8.8%	8.4%	8.6%	8.2%	8.2%	8.2%	7.7%
	Own Source Revenue as % of GDP	18.1%	17.3%	18.6%	16.5%	16.9%	16.7%	16.7%	16.8%
Vulnerability									
	Federal Transfers as % of total revenue	32.3%	33.7%	31.8%	33.5%	32.8%	32.4%	32.1%	31.9%

Notes:

1. *Performance measures for 2012-13 to 2014-15 use Government Reporting Entity (GRE) figures (Consolidated). 2015-16 to 2019-20 will use General Revenue Fund (GRF) figures, because consolidated figures are not available for Budget and forecast years. f=forecast*
2. *Debt to GDP% reflects historical revisions to GDP numbers from Statistics Canada in November 2015.*
3. ** References that in 2016-2017, there was a one-time revenue recognition related to capital from other sources of $110.3 million. The net position surplus position for 2016-2017 is $17.1 million.*